ANNUAL REPORT

*for the fiscal year*
*ending March 31, 1997*

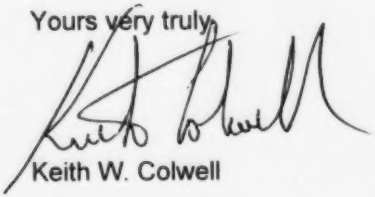
# Alcohol and Gaming Authority

To His Honour
The Honourable J. James Kinley
Lieutenant-Governor of Nova Scotia

May It Please Your Honour:

I have the honour to submit the Annual Report of the Alcohol and Gaming Authority for the fiscal year ending March 31, 1997. Included as a component of this report are the financial statements of the Nova Scotia Liquor License Board for that year.

Yours very truly,



Keith W. Colwell

Minister Responsible for the Administration of Part II of the Gaming Control Act

Minister Responsible for the Administration the Liquor Control Act

100-04524/

The Honourable Keith W. Colwell
Minister in Charge of the Supervision
of the Gaming Control Act, Part II
Province of Nova Scotia

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 1997. It should be noted that the appointment of the Chair, Vice-Chair and Authority Members occurred on April 4, 1995.

Included as a component of this report is the report of the Nova Scotia Liquor License Board for the year April 1, 1996, to March 31, 1997.

Yours very truly,

Elwin J. MacNeil, Q.C.
Chair, Alcohol & Gaming Authority

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## EXECUTIVE DIRECTOR'S REPORT

The Alcohol and Gaming Authority was formed in April, 1995, with the amalgamation of the Nova Scotia Liquor License Board, the Nova Scotia Lottery Commission, and the Nova Scotia Amusements Regulation Board. This amalgamation was completed in July, 1997, at which time the Authority underwent a name change to better reflect the scope of its mandate to the Alcohol and Gaming Authority, from the Nova Scotia Gaming Control Commission. The mandate of the Authority is broad as it ensures the implementation and administration of the *Gaming Control Act*, and the *Theatres and Amusements Act*. Although the hearing processes under the *Liquor Control Act* continued to be conducted by the Liquor License Board for the year ending March 31, 1997, all functions, such as the issuance of licenses granted by the Board, and the inspection of licensed establishments, were performed by Authority staff.

The Authority's mandate with the *Gaming Control Act* is to regulate all gaming activities in the Province to ensure these activities are conducted with honesty and integrity, keeping in mind the social and economic interests of Nova Scotians. The Authority's two primary functions in this area are to regulate and to produce an annual study of gaming in Nova Scotia. The regulation of gaming requires the Authority to ensure honesty and integrity in gaming, including casinos; ensure compliance with the gaming provisions of the *Criminal Code* and gaming regulations, (i.e., casino, bingo, ticket lottery, video lottery, etc.); and conduct hearings and make decisions pursuant to the *Gaming Control Act*. The study of gaming covers areas of research such as the public reaction and interest in gaming, comparative analyses of other jurisdictions and the social, health, justice, economic and environmental impacts of casinos and other gaming in Nova Scotia.

The Authority's mandate with the *Theatre and Amusements Act* includes the following:

- Film Classification (viewing and classifying all film products for use in Nova Scotia, licensing film exchanges, projectionists)
- **Licensing** (includes the licensing and regulating of theatres and places of amusement, licensing events where fees are imposed on the public). Licenses issued include arcades, drive-in theatres, halls, itinerant shows, carnivals, circuses, outdoor festivals, parimutuel machines, race tracks, theatres, video retail outlets.
- **Taxation** (amusement tax is collected on such items as admission fees on performances, places of amusement, entertainment venues, cable TV users and parimutuel betting).
- **Inspections** (conducted to ensure adherence to the *Act*, regulations and policies of the Board).

During the 1997 fiscal year, the Authority was comprised of seven members: Elwin J. MacNeil, Q.C., Chair; Margaret A.M. Shears, Vice-Chair; G. Wayne Beaton, Q.C., Member; M. Patricia Connelly, Ph.D., Member; Louis A. d'Entremont, Member; Jennifer A. Foster, Member; William M. MacDonald, Member.

During the past year, the Alcohol and Gaming Authority was actively engaged in carrying out continuous research and monitoring activities. It also coordinated a number of studies to cover gaming as it relates to the public's interest and reaction as well as the impacts of gaming in the social, health, justice, economic, and environmental spheres. It was also actively involved in examining articles, books and other applicable data that other organizations have collected.

We begin our third year of operation with a commitment to ensure integrity in gaming and to continue developing and implementing an effective regulatory

framework covering all areas regulated by the Alcohol and Gaming Authority in this province.

Dennis W. Kerr, Executive Director

## ALCOHOL AND GAMING AUTHORITY

The Alcohol and Gaming Authority (formerly known as the Gaming Control Commission) was established on April 4, 1995. During the fiscal year, the Authority's Board of Directors met on a total of 75 days. Quorums of the Authority were convened on 11 occasions to consider matters under the *Gaming Control Act* and regulations made pursuant thereto, of which 2 were disciplinary in nature. The Authority convened 38 gaming panels during the fiscal year. The Authority also held 15 business meetings. There were also 6 meetings between Members of the Authority (including the Chair) and bingo licensees from across the Province.

The Authority, on September 24, 1996, released a comprehensive study of gaming in Nova Scotia. The study was the result of extensive research and analysis conducted by and for the Authority during the fiscal year ending March 31, 1996. This study will provide a baseline for all future studies of gaming in Nova Scotia.

**License Applications/issuance**

The following applications were approved and issued by the Alcohol and Gaming Authority during the fiscal year.

***Gaming***

| *License Type* | *Series* | *Single* |
|---|---|---|
| Bingo | 480 | 192 |
| Ticket Lottery | 357 | 506 |
| Permits | - | 4,188 |
| Break-open | - | 71 |
| Games of Chance/Carnival | - | 120 |
| TOTAL | 837 | 5,077 |

**Film/Video Permits**

| | *Video* | *35mm* | *Combined* |
|---|---|---|---|
| General | 231 | 17 | 248 |
| Parental Guidance | 298 | 48 | 346 |
| Adult Accompaniment | 321 | 114 | 435 |
| Restricted | 174 | 31 | 205 |
| Explicit Material | 410 | - | 410 |
| Rejected | 1 | - | 1 |
| TOTAL | 1,435 | 210 | 1,645 |

**Liquor**

The following liquor licenses were issued by Alcohol and Gaming Authority staff under authority granted by the Liquor License Board pursuant to the *Liquor Control Act*.

| *License Type* | *Issued* |
|---|---|
| Eating Estab.(R) | 8 |
| Eating Estab. (U) | 45 |
| Lounge | 34 |
| Beverage Rooms | 6 |
| Club | 9 |
| Cabarets | 2 |
| Special Premises | 23 |
| Catering | 4 |
| Military | - |
| SUB-TOTAL | 131 |

***Special Occasion Licenses***

| *License Type* | *Issued* |
|---|---|
| Class I | 1,022 |
| Class II | 4,865 |
| Class III | 2,536 |
| SUB-TOTAL | 8,423 |

**Registration Applications**

| | Total | Halifax | Sydney |
|---|---|---|---|
| *Casino Registrations* | | | |
| Gaming Related Supplier | 5 | | |
| Gaming Related Supplier Employees | 42 | | |
| Non-Gaming Related Supplier | 35 | | |
| Non-Gaming Related Supplier Employees | 119 | | |
| Casino Employees | 180 | 131 | 49 |
| *Bingo Registrations* | | | |
| Bingo Supplier | 6 | | |
| Bingo Supplier Employees | 28 | | |
| TOTAL | 415 | 131 | 49 |

**Inspection Services**

This year, the inspection of existing liquor, gaming and amusement licenses was incorporated into the former Liquor License Board inspection schedule. The following tables indicate the levels of investigation and enforcement activity by category. Liquor inspections are conducted by Alcohol and Gaming Authority compliance officers who have also been appointed pursuant to the *Liquor Control Act*.

| *Inspections* | *Total* |
|---|---|
| Gaming | 21,987 |
| Amusement | 6,366 |
| Liquor | 25,233 |
| TOTAL | 53,586 |

| *Complaints* | *Total* |
|---|---|
| Gaming | 234 |
| Amusement | 25 |
| Liquor | 152 |
| TOTAL | 411 |

| *Investigations/Warnings/Seizures* | *Total* |
|---|---|
| Gaming | 52 |
| Amusement | 88 |
| Liquor | 95 |
| TOTAL | 235 |

## NOVA SCOTIA LIQUOR LICENSE BOARD

During this fiscal year, the Board was comprised of the following members: Margaret A.M. Shears, Chair; Louis d'Entremont and William MacDonald, Board Members.

### License Applications

During the fiscal year April 1, 1996, to March 31, 1997, the Liquor License Board heard the following number of license applications:

| *Category* | *Granted* | *Denied* | *Issued* |
|---|---|---|---|
| Eating Estab.(R) | 8 | - | 8 |
| Eating Estab. (U) | 49 | - | 45 |
| Lounge | 45 | 5 | 34 |
| Beverage Rooms | 10 | 2 | 6 |
| Club | 8 | - | 9 |
| Cabarets | 2 | - | 2 |
| Special Premises | 23 | - | 23 |
| Catering | 4 | - | 4 |
| Military | - | - | - |
| TOTAL | 149 | 7 | 131 |

* Some licenses were granted in this fiscal year but issued after March 31, 1997.

**Public Hearings**

The Board met on 60 days and held 78 Public Hearings at the following locations, pursuant to the provisions of the Liquor Control Act:

Amherst, Antigonish, Arichat, Bras d'Or, Bridgewater, Canning, Chester, Comeauville, Dartmouth, Economy, Greenwood, Halifax, Ingonish, Inverness, Kingston, Lower Sackville, Lunenburg, Mount Uniacke, New Glasgow, Noel, North Sydney, Oyster Pond, Port Hawkesbury, St. Peter's, Shelburne, Sherbrooke, Sydney, Truro, Upper Kennetcook, Upper Sackville, Windsor, Yarmouth.

**Disciplinary Hearings**

The Board also considered eight liquor related disciplinary matters. Action taken ranged from official warnings to suspension of licensing privileges.

**Other Matters**

The Board heard 226 other matters relating to liquor which do not necessarily require a Public Hearing. This includes such matters as transferring licenses, expansions, renovations, conversions, suspensions, changes in license category, upgrading, rendering decisions that were previously reserved, and patios.

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# Auditors' Report

To the Board of Directors of the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 1997 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

As disclosed in Note 5, the Authority did not include the accounts of the Maritime Film Classification Board in these financial statements. Had the accounts of this Board been amalgamated, some accounts and the information provided by way of notes to the accompanying financial statements would have been materially different.

It is not practical for the Authority to maintain adequate internal controls over amusement revenues, which are a significant component of its revenues. As a consequence, we were unable to verify that all revenues and accounts receivable of the Authority have been recorded. As a result, we were unable to determine whether adjustments were required in respect of recorded or unrecorded assets and revenue.

In our opinion, except for the effect of not including the accounts of the Maritime Film Classification Board, as explained in the above paragraph, and except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of amusement revenues and accounts receivable referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1997, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

The comparative figures for 1996 are combined from the separate financial statements of the Nova Scotia Gaming Control Commission and the Nova Scotia Liquor License Board. These separate financial statements were reported on by other auditors.

Dartmouth, Nova Scotia
May 29, 1998

Doane Raymond
Chartered Accountants

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# Nova Scotia Alcohol & Gaming Authority
## Statement of Revenue and Expenditures

| Year Ended March 31 | 1997 | 1996 |
|---|---|---|
| Revenue | | |
| Liquor license fees | $ 6,747,628 | $ 6,625,852 |
| Lottery licenses and fees | 1,765,841 | 1,870,536 |
| Casino fees | 213,740 | 612,857 |
| Amusement licenses | 100,605 | 98,854 |
| Amusement tax | 2,497,717 | 2,529,615 |
| Pari-mutuel tax | 177,882 | 685,929 |
| | 11,503,413 | 12,423,643 |
| Administrative expenditures (Page 5) | 6,345,647 | 6,234,751 |
| Net revenue | $ 5,157,766 | $ 6,188,892 |

See accompanying notes to the financial statements.

## Nova Scotia Alcohol & Gaming Authority
## Balance Sheet

| March 31 | 1997 | 1996 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash | $ 15,841 | $ 4,764 |
| Receivables (Note 3) | 373,623 | 606,488 |
| Prepaid expenses | 1,354 | 1,000 |
| | $ 390,818 | $ 612,252 |
| **Liabilities** | | |
| Current | | |
| Payables and accruals | $ 86,326 | $ 73,718 |
| Deferred revenue | 9,000 | 4,500 |
| Due to Nova Scotia Liquor Commission | 23,630 | 5,294 |
| | 118,956 | 83,512 |
| **Equity** | | |
| Due to (from) Minister of Finance | | |
| Balance, beginning of year | 528,740 | (84,571) |
| Net revenue | 5,157,766 | 6,188,892 |
| Remittances | (5,414,644) | (5,575,581) |
| Balance, end of year | 271,862 | 528,740 |
| | $ 390,818 | $ 612,252 |

Contingency (Note 4)

On behalf of the Authority

_____ Director _____ Director

See accompanying notes to the financial statements.

# Nova Scotia Alcohol & Gaming Authority
## Notes to the Financial Statements
March 31, 1997

### 1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority, formerly the Gaming Control Commission and Liquor License Board, is a regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues reported during the fiscal year ending March 31, 1997 were derived from the sale and renewal of licenses and the collection of fees and taxes.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies:

(a) Revenue from amusement tax is accounted for when claims are received. Large known outstanding claims are accrued.

(b) Furniture, equipment and leasehold improvement purchases are expensed in the year of acquisition.

### 3. Receivables

| | 1997 | 1996 |
|---|---|---|
| Amusement tax | $ 216,410 | $ 324,590 |
| Gaming fees | 168,515 | 310,251 |
| Liquor License fees | 136,517 | 81,261 |
| Lottery licenses and fees | 7,062 | 11,311 |
| Pari-mutuel tax | 946,796 | 844,392 |
| | 1,475,300 | 1,571,805 |
| Less: allowance for doubtful accounts | 1,101,677 | 965,317 |
| | $ 373,623 | $ 606,488 |

### 4. Contingency

Legal actions have been filed against the Authority by two airlines to recover fees paid on liquor during flights. No provision has been made in the financial statements for this action, as the outcome is not yet determinable.

**5. Maritime Film Classification Board**

The Maritime Film Classification Board was amalgamated with the Gaming Control Commission in February, 1996. The revenues and expenses of the Board are not included in the Authority's financial statements for the period ending March 31, 1997. All such transactions were recorded and reported by the Department of Housing and Consumer Affairs.

**6. Subsequent event**

Effective April 1, 1997 the application and collection of Amusement Taxes was repealed by legislation.

## Nova Scotia Alcohol & Gaming Authority
## Schedule of Administrative Expenditures

Year Ended March 31,

| | 1997 | 1996 |
|---|---|---|
| Advertising and promotion | $ 6,123 | $ 37,186 |
| Bad debts | 136,361 | 832,953 |
| Computer processing | 3,620 | 9,027 |
| Equipment | 245,217 | 403,681 |
| Equipment leasing | 22,542 | 28,002 |
| Early Retirement Incentive Program | - | 54,692 |
| Freight and duty | 7,444 | 6,822 |
| Grants and assistance | 158,630 | - |
| Meetings | 75,924 | 47,387 |
| Office | 12,327 | 57,892 |
| Other | 66,638 | 337,464 |
| Postage | 31,969 | 20,449 |
| Printing and stationery | 120,576 | 51,948 |
| Professional fees | 419,849 | 356,517 |
| Relocation | 9,092 | 25,845 |
| Rent | 126,317 | 99,060 |
| Repairs and maintenance | 3,249 | 11,610 |
| Security services | 953,000 | 513,359 |
| Telephone | 189,566 | 104,062 |
| Travel | 450,694 | 446,581 |
| Training and development | 29,216 | 19,630 |
| Wages and benefits | 3,277,293 | 2,770,584 |
| | $ 6,345,647 | $ 6,234,751 |